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July 1954

MONTHLY REVIEW

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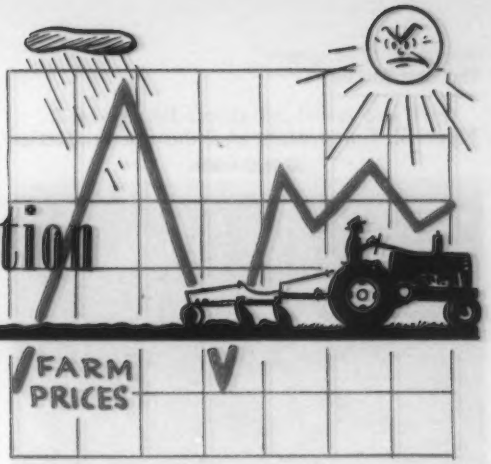
The Stability of Agricultural Production

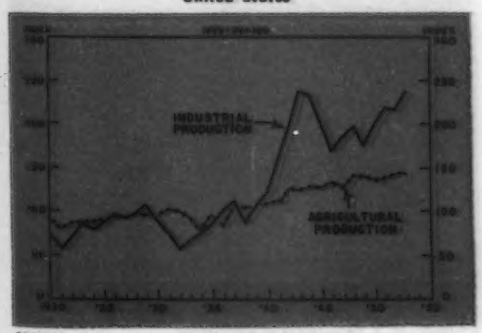


IN STUDYING the fundamental characteristics of agricultural production, it is helpful to examine both its composition and stability. In this article, the procedure will be to analyze (1) the relative stability of agricultural and industrial production, (2) the changing composition of farm output, and (3) possible explanations of the behavior of farm production.

Output of Industry and Agriculture

A comparison of agricultural and industrial production reveals a striking contrast in their behavior during periods of increasing and decreasing demand. Figure 1 clearly depicts this contrast. During depression, agricultural output tends to remain relatively stable. Industry, on the other hand, has decreased production in such periods. During periods of increasing demand, both agricultural and industrial output increase, but industrial production is more responsive to favorable prices than is agricultural production. In the face of declining demand, nonagricultural product prices have been much more inflexible than agricultural prices.

Figure 1. Agricultural and Industrial Production
United States

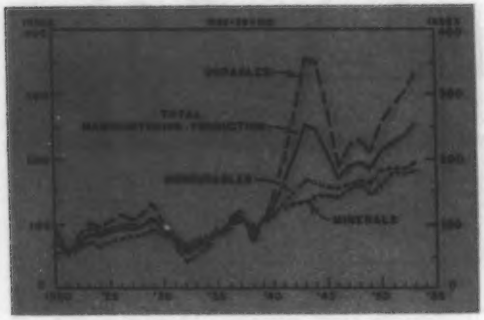


SOURCE: U. S. Department of Agriculture.

This instability of industrial production is caused largely by the fluctuation in output of durable goods. Figure 2 illustrates the high volatility of this index compared with that of nondurable goods and minerals. Consumers can postpone purchases of durables more readily than they can delay nondurable purchases. Also, plant and equipment expenditures vary greatly. Consequently, production and utilization tend to vary with business cycles. Mineral production is more stable than either the manufacture of durables or nondurables.

Although industrial production is less stable than agricultural production, the output of certain other nonagricultural endeavors, such as food-processing industries, may equal or surpass the stability of agricultural production. Agriculture supplies the raw materials for some of these industries with a relatively stable output. This relationship will be developed more fully later.

Figure 2. Components of Industrial Production
United States



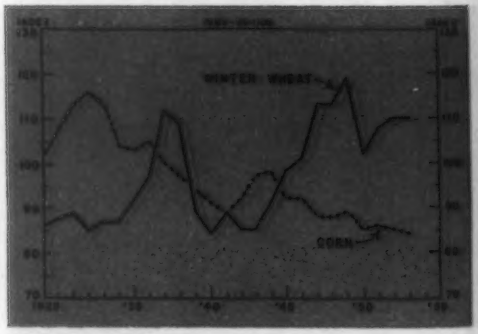
SOURCE: Federal Reserve System.

Even though agricultural output is relatively stable, production increases have been associated with favorable changes in the prices farmers receive in relation to the prices they pay. On the other hand, unfavorable price relationships to farmers also have been accompanied by production increases, although the increases have been quite small. During the period from 1920 to 1952, there were 19 years in which the parity ratio (ratio of prices received to prices paid) increased. The average increase in the ratio was approximately 5.5 points, while the average increase in the farm output index was about 2.7 points. (Farm output was lagged one year behind the parity ratio, e.g., 1950 farm output was associated with the 1949 parity ratio.) In this same period, there were 12 years when the parity ratio decreased. The average decrease in the parity ratio again was about 5.5 points. In the years the parity ratio declined, the average increase in production was approximately 0.66 points. It is apparent from these data that agricultural production has moved upward in response to favorable price relationships. It also is clear that unfavorable changes in price ratios have not reduced total production but have been associated with a slight increase in output. Industrial production, on the other hand, does adjust to changes in demand. Some of the explanations offered for the behavior of agricultural production are reviewed in the last section of this article.

Composition of Agricultural Production

Although the total quantity of agricultural production is relatively stable as compared with the output of industry, the composition of agricultural production is subject to change. The quantity of resources available to the farmer may be relatively fixed in the short-run, but he does enjoy considerable flexibility in using these resources to produce various farm commodities. A given piece of land may be used to produce corn or soybeans. A farmer may produce hogs or feed beef cattle, depending on his price expectations, since the resources used in the production of these animals are similar. Consequently, the composition of agricultural production varies from year to year.

Figure 3. Planted Acreage of Winter Wheat and Corn
United States

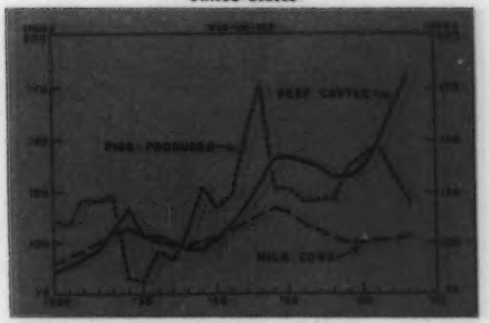


SOURCE: U. S. Department of Agriculture.

Acreages of corn and winter wheat are shown in Figure 3. The acreage planted is used instead of total crop production, because the latter is affected by forces outside the farmer's control. However, total production also can be influenced by the intensity of farming in that the farmer can vary the production of a particular crop by the amount of fertilizer applied, the number of cultivations, and other means. Of course, the capacity of land to respond to intensive treatment changes considerably from area to area. For example, land in the Corn Belt is more responsive to intensive farming than is land in the Wheat Belt. In the discussion of planted acreage, it is important to remember this limitation of planted acreage as an indication of farmers' intentions. Both corn and wheat are major crops and show more stability than some minor crops such as flax or potatoes. Even so, considerable variation in the acreage planted to these crops is evident from year to year. There has been a trend toward a reduction of corn acreage. However, there would be considerable fluctuation around any trend line which might be drawn. In the case of wheat, for which the production trend has been upward, the fluctuation is even more pronounced. With 1935-39 taken as 100, the index of wheat acreage was 112 in 1937; 75 in 1942 and 1943; 119 in 1949; but dropped to 102 in 1950. While Government programs of various kinds probably have added to this variability, the record demonstrates that farmers can and do shift resources among various agricultural products, even though total crop acres remain relatively stable.

Livestock production can be influenced by control of the number of livestock and the rate of feeding. Figure 4 indicates that the composition of livestock production has varied greatly. This is true especially in the case of beef cattle and hogs, where production cycles

Figure 4. All Cattle On Farms and Pigs Produced
United States



SOURCE: U. S. Department of Agriculture.

are commonplace. Although milk cow numbers have not fluctuated as much as have beef cattle numbers and pigs produced, there has been instability. Also, milk production probably has been influenced more by the rate of feeding than has the production of beef or pork.

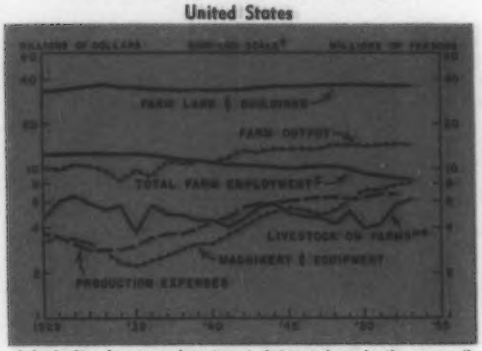
The Explanations Reviewed

Numerous explanations have been offered for the characteristics of agricultural production described in the two previous sections. These explanations will be examined critically in this portion of the article. The succeeding analysis will show that no one explanation answers perfectly all the possible questions that might be raised.

Figure 5 shows important trends relating to agricultural production. The value figures have been deflated to serve as indicators of the physical quantity of investment expenditure or output. Total farm employment is expressed in terms of the number of people working on farms. Perhaps the most striking point regarding the chart is the relative stability of farm land and buildings. Although there has been considerable fluctuation in

Figure 5. Agricultural Output, Investment, Production Expenditures, and Labor*

United States



* Agricultural output, investment data, and production expenditures are deflated to indicate physical quantities.
† On a semi-logarithmic graph, equal slopes indicate equal rates of change.
‡ Right-hand scale.
** January 1 (7 species).
SOURCE: Calculated from reports of the U. S. Department of Agriculture.

livestock value on farms from one year to the next, there has been no persistent upward or downward trend. Except for brief and relatively unimportant exceptions, machinery and equipment have increased since the early 1930's. Production expenses have behaved in a similar fashion, although the rate of change has not been as rapid nor the fluctuations as violent as for machinery investment. Of course, machinery and equipment and production expenses are not entirely independent, as many production expenses necessarily are associated with the ownership and use of farm machinery. Total farm employment increased during the early 1930's and immediately after World War II. For the remainder of the 1929-53 period, however, farm employment declined. If one considers the value of farm output in combination with the other variables, it will become apparent that the expansion in output over the period has been accomplished by the substitution of machinery for labor and by the increase in production expenses. Farmers changed their production techniques during this period and more intensive farming resulted.

One reason frequently advanced for the maintenance of agricultural production during depression is that agriculture is a highly competitive industry. Consequently, the individual producer has such a small influence on total output that he must continue to produce to protect himself against lower prices. According to this argument, many industrial firms operate under conditions of near monopoly or oligopoly and, rather than accept a lower price, they prefer to restrict production during depression and then expand rapidly during periods of prosperity. There are certain weaknesses evident in this argument when it is examined carefully. First, even a competitive producer would reduce output when prices fell, if all other factors remained the same. In addition, some of the food-processing industries that maintained production reasonably well during the depression are not highly competitive industries. Although there may have been some historical association between competition and output maintenance, it is doubtful if it is a cause and effect relationship. Therefore, it would appear that this explanation needs to be supplemented before it is complete.

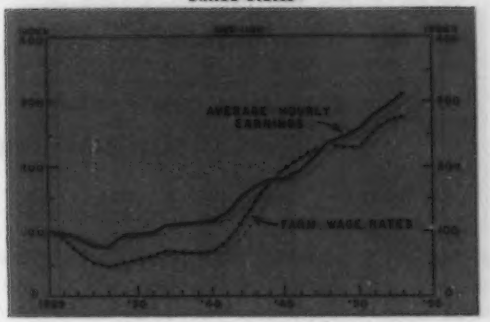
The high proportion of farm costs that are fixed and do not vary as output is changed has been advanced by others as an explanation of output maintenance during depression. This line of reasoning indicates that as long as the price is high enough to more than cover the variable costs associated with producing, the farmer will continue to produce, since the excess over the variable costs can be used to apply to his fixed costs. Without doubt, this explanation has considerable merit. Since fixed costs are a large part of total costs in agriculture, it is obvious that production will be continued if variable costs can be covered.

Even if variable costs are low, however, there still can be considerable fluctuation in output for the individual farm. In addition, it should be noted that high fixed costs are not unique with agriculture. They also are present in other industries in the economy, some of which probably have a more responsive production than agriculture, although others may not.

Another explanation, closely related to the above, deals with the relatively fixed labor supply in agriculture. According to this explanation, agricultural production is maintained in periods of declining demand because the family labor supply in agriculture is relatively fixed. In this connection, it is important to consider agriculture in relation to the rest of the economy. During periods of depression and widespread unemployment, there is usually an increase in the farm labor supply. This is indicated in Figure 5. Agricultural population normally more than reproduces itself and, if alternative employment opportunities do not exist, there is a "backing up" of young people on farms. In addition, there may be migration from cities to farms when such conditions are prevalent. Consequently, the agricultural labor supply was increased during the depression of the 1930's. Also, family workers may be willing to accept a smaller return on their labor in periods of depression than they would in periods of prosperity. In other words, they may be willing to work longer for the same return during periods of depressed demand. This probably is an important reason for the different response of agricultural and some industrial firms.

Another explanation that has merit relates to the price flexibility of some items farmers use in production. It has been pointed out that labor may become more available during depression. Consequently, farm wage rates decline. Figure 6 makes it possible to compare farm wage rates and average hourly earnings in industry. Although hired labor is not of great importance for much of agriculture, it is apparent from this chart that farm wage rates declined much more during the 1930's than did industrial wage rates. Also, industrial wage rates at the present are slightly higher than farm wage rates when 1929 is used as a base. During the immediate postwar period, however, farm wage rates were higher than industrial hourly earnings in relation to 1929. Also, many of the items used in agricultural production—such as feed and livestock—are supplied by other farms and their prices tend to vary with agricultural prices generally. Therefore, even though the price of the final product falls, it still may be economical to produce it, since the important costs also have declined. Table 1 illustrates this point. In 1932, when prices received by farmers were 44 per cent of 1929, farm wage rates were 54 per cent of 1929. Feed grain and hay prices were 41 per cent and prices paid for livestock were 43 per cent. All prices paid by farmers did not decline as much—they were 70 per cent of 1929. This would encourage farmers to substitute farm-

Figure 6. Farm Wage Rates and Average Hourly Earnings of All Manufacturing
United States



SOURCE: U. S. Department of Agriculture and U. S. Department of Labor.

Table 1. Index of Prices Received and Selected Cost Items, U. S., 1929-51

(1929 = 100)

Year	Prices Received	Farm Wage Rates	Feed Grain & Hay Prices	Prices Paid for Livestock	All Prices Paid by Farmers
1929	100	100	100	100	100
30	84	93	90	74	94
31	59	71	63	52	81
32	44	54	41	43	70
33	47	49	48	39	68
34	61	54	80	39	75
35	74	59	91	66	78
36	77	63	87	63	78
37	82	71	107	71	82
38	66	69	60	71	78
39	64	69	58	78	77
40	68	70	69	80	78
41	83	85	75	91	83
42	107	111	93	106	94
43	130	146	124	121	106
44	132	175	141	114	114
45	139	196	136	124	118
46	158	213	166	141	129
47	186	226	211	176	149
48	192	238	212	218	162
49	168	230	144	194	156
50	174	231	158	227	159
51	204	258	186	276	176

produced goods for nonfarm-produced goods. These flexible prices may not explain satisfactorily the maintenance of farm production generally, but probably are quite important to many farms. Since farm product prices are highly flexible, this may be an important reason why food-processing industries tend to maintain production in times of depression. They can buy their raw materials at reduced prices, thereby maintaining production even though the selling price is reduced.

The explanations reviewed here are those that have been advanced at various times to explain the characteristics of agricultural production set forth early in the article. There are shortcomings in each of these explanations, if too great a burden is placed upon them. A more appropriate procedure would be to combine the explanations for a workable interpretation of agricultural production. It has been noted that there probably are elements of truth in each of the arguments. The most significant points developed are (1) agriculture is an industry of high fixed costs, (2) the farm labor supply has increased during periods of depression, and (3) many, although not all, agricultural costs are flexible and decline with farm product prices.

In evaluating the present situation in the light of the past, it should be noted that certain conditions have changed. At present, production or cash expenses are more important than previously. Production maintenance depends heavily on the stability of these outlays. Currently, the farmers' supply of capital funds is high and institutions lending to farmers are in excellent condition. Government price supports have changed the price flexibility of certain farm-produced items such as feeds. Although rigid prices may discourage use of these items, they will do little to discourage their production. Also, as long as industrial activity and employment are high, a decline in agricultural prices may not maintain the farm labor supply, in contrast to earlier periods. It appears that total agricultural production would be somewhat more responsive to changing economic conditions than it has been historically. It does not seem likely, however, that the nature of agricultural production has been changed drastically. On balance, a more responsive production seems probable, but in comparison with industrial production, agricultural output undoubtedly will continue stable.

The composition of agricultural production is expected to remain responsive. Changes in relative prices undoubtedly will continue to bring about shifts in production. A better balanced output would be a real achievement and, from society's standpoint, it is important to maintain production, especially of food and fiber, even in times of depressed demand.

THE GRAIN STORAGE OUTLOOK

Government Programs Underlie Intensive Efforts to Handle Record Supply of Grain in the Tenth District and the Nation

THE PROBLEM of finding sufficient storage space to accommodate 1954 grain production, as well as the record accumulation of grain stocks, is receiving much attention throughout the United States as harvest operations get under way. In March, the Director of the Commodity Stabilization Service, U. S. Department of Agriculture, estimated that with average crops there would be an additional 400 million bushels of grain to handle this year. Conditions now indicate that grain production probably will be slightly above average. In view of a recent release estimating available storage facilities in Kansas and the latest estimate of winter wheat production in the state, it appears that approximately 40 million bushels of Kansas wheat will not find storage at harvest time unless farmers and warehousemen provide the needed facilities. However, the consensus of opinion seems to be that the real pinch will not be felt until the fall-harvested crops are in.

Total grain production has been increasing in recent years due to favorable weather conditions, increased efficiency in plant breeding, insect and pest control, and mechanization. Despite acreage controls on wheat and corn, 1954 grain production is expected to be at least as large as last year. Any reductions in wheat and corn production probably will be balanced by increased grain sorghum, oats, barley, and soybean production.

Increased consumption of feed grains and the expanded market for human grain consumption provided by increased population have been offset somewhat by declining per capita consumption of grain products. As a result, total consumption of grain in the U. S. has not advanced as rapidly as production in recent years. Following an increase during and after World War II, exports have fallen off sharply. Consequently, grain carryover has been increasing since the end of World War II. Last year, the combined carryover of six grains--wheat, corn, oats, barley, rye, and grain sorghum--was the largest on record at 1.65 billion bushels. In 1954, carryover is expected to surpass that of 1953 by about 400 million bushels.

Present Grain Stocks

Approximately 71 per cent of the storage capacity of terminal elevators in the U. S. was filled as of May 29. Table 1 indicates the distribution of grain stocks at various positions for the U. S., while Table 2 shows the distribution of grain stocks in Tenth District states. Stocks in off-farm positions have increased 28 per cent over 1953. These stocks are largely wheat, while corn and oats comprise the major part of farm holdings. Total stocks for the District are 5 per cent greater than they were in 1953. Storage space in commercial

Table 1. Stocks of Grains at Various Positions, April 1, 1954

United States

Crop	Farms	Terminal Elevators	Interior Mills, Elevators, and Warehouses	Merchant Mills	CCC*
	Thousands of bushels				
Wheat	297,873	315,984	379,232	104,778	30,433
Corn	1,468,770	33,793	85,786	—	399,793
Oats	450,335	8,648	35,222	—	73
Barley	74,883	8,922	37,985	—	26
Rye	5,386	9,811	3,244	—	0
TOTAL	2,297,247	377,158	541,469	104,778	430,325

*Owned by Commodity Credit Corporation and stored in bins and other storages owned or controlled by CCC; also CCC-owned grain in transit to ports. Other CCC-owned grain is included in the estimates by positions.

SOURCE: U. S. Department of Agriculture.

storage facilities of the west central and southwestern terminal markets (including Tenth District terminals) was reported to be 80 per cent filled as of May 29.

U. S. Department of Agriculture. Visible supplies of grain at these centers on May 29, 1954, were 137,841,000 bushels, leaving vacant capacity of 27,534,000 bushels.

Under the impetus of various Government programs, a considerable amount of new storage space will be provided this year. Commercial storage is being expanded under the guaranteed occupancy program, farm storage under the farm storage facility loan program, and a considerable amount of bin space is being built for the Commodity Credit Corporation.

Commercial Storage

The guaranteed occupancy program was designed to encourage construction of commercial storage facilities. Last fall, CCC authorized 201 million bushels of new capac-

Table 2. Total Stocks of Grain In Tenth District States, April 1, 1953 and 1954*

Thousands of bushels

State	Farm Stocks		Off-farm Stocks†		Total	
	1953	1954	1953	1954	1953	1954
Colorado	19,515	17,766	17,984	23,196	37,499	40,962
Kansas	88,249	52,901	154,868	183,809	243,117	236,710
Missouri**	71,346	66,454	39,821	48,158	111,167	114,612
Nebraska	169,422	149,742	75,811	106,716	245,233	256,458
New Mexico‡	51	396	710	3,651	761	4,047
Oklahoma	6,760	7,063‡	51,580	72,238‡	58,340	79,301‡
Wyoming	5,387	5,100	950	937	6,337	6,037
TOTAL	360,730	299,422	341,724	438,705	702,454	738,127

* Grains included are wheat, corn, oats, barley, and rye.

† Includes stocks in interior mills, elevators and warehouses; merchant mills; commercial stocks at terminals reported by Grain Division, Agricultural Marketing Service; and those owned by CCC which are in transit to ports, in bins, and in other storages under CCC control.

**Excluding barley.

‡ Excluding rye.

SOURCE: U. S. Department of Agriculture.

Commercial grain storage capacity in the six terminals located in the Tenth District—Enid, Hutchinson, Kansas City, Omaha, St. Joseph, and Wichita—amounted to 165,375,000 bushels on June 1, 1953, according to the

ity and 123 million of this is under construction or completed. Recently, the U. S. Department of Agriculture reopened negotiations for an additional 100 million bushels of capacity under this program. The contracts call for

completion by April 1, 1955. These facilities must be located near areas of heavy production and near rail or water terminals.

Of the 201 million bushels of approved additional capacity, 125 million were in Tenth District states, and construction is under way or completed on 86 million bushels. Total new commercial storage space in District terminals, including construction outside the guaranteed occupancy program, probably will be about 49,690,615 bushels. At the six terminal markets in District states, construction of guaranteed occupancy space is 42,663,081 bushels. Little information is available concerning construction of storage capacity at country points. Estimated construction under the guaranteed occupancy program is about 43.3 million bushels at country points in District states. Construction outside the program is known to exist but probably is considerably less than that being built under the program.

Additional space for storage in commercial facilities was made available as a result of the program for storing old crop wheat on the ground. Plans have been made to store 12 million bushels in this manner at St. Joseph, 8 million at Fort Worth, 27 million near Halls, Missouri, and 16 to 20 million at two Nebraska sites. The intention was to move out 10 per cent of the grain stored in country elevators and 4 to 5 per cent of that stored in larger terminal markets in the winter wheat harvest area. An intensive effort was made to accomplish this before the end of the winter wheat harvest.

Government Storage

In addition to the guaranteed occupancy program, the U. S. Department of Agriculture has taken other steps to provide adequate storage facilities for stocks of grain owned and controlled by the Government. Movement of these stocks from private to government-owned facilities will ease the burden on farm and commercial storage capacity.

In March, the U. S. Department of Agriculture announced plans for obtaining an additional 100 million bushels of bin storage. This new capacity will increase USDA-owned storage to 735 million bushels. The storage gained under this program will be used chiefly for small grains—largely in Kansas, Colorado, Nebraska, the Dakotas, and Montana. On June 11, the CCC Board authorized the purchase of an additional 100 million bushels of bin capacity for use primarily in the corn-producing areas. Old crop grains acquired by the CCC will be stored in these bins.

The CCC announced recently that limited price support recourse loans for a temporary period will be made again this year to wheat farmers where regular storage facilities are not available, and where storage on the ground or in temporary structures is feasible in the summer. The distress loans will be at 80 per cent of the applicable price support rate and will run for 90 days, during which time farmers will be expected to provide adequate on-farm storage or to obtain approved commercial storage. If this condition is met, a regular price support loan at 90 per cent of parity can be obtained. This program, although available on a nationwide basis, will be limited to counties or areas designated as needing this type of loan by the respective state agricultural stabilization and conservation committees.

At present, CCC has 28 million bushels of capacity in ships of the moth-ball fleet. Ships representing an additional 40 million bushels of capacity are being readied for grain, thus raising the total capacity in the fleet to 68 million bushels. Total CCC storage capacity, excluding that under guaranteed occupancy, is therefore close to a billion bushels.

Farm Storage

Storage of new crop grains on farms this year should be eased somewhat by removal of CCC-owned grain to new bin storage. However, it is estimated that 150 million bushels of CCC-owned grain on farms will be resealed this year compared with 52 million bushels resealed in 1953.

The farmer may borrow money for new storage at 4 per cent under the farm storage facility loan program, and he also may depreciate his investment in five years. Consequently, the CCC is expecting a maximum of 100 million bushels of additional farm storage space to be built this year. Other estimates of the amount of bin capacity which will be sold to farmers this year range from 70 to 90 million bushels. With sales running considerably above last year, three Kansas City grain bin manufacturers have been working three shifts to provide the bins required for the program.

Summary

In summarizing the situation, it appears that the U. S. Department of Agriculture's March estimate that an additional 400 million bushels of grain would be handled this year may prove to be low, especially if good crop weather continues. Although a total of approximately 515 million bushels of new capacity is listed in Table 3, certain types of storage must be considered as emergency or experimental in nature. The accessibility of the moth-ball fleet to grain-producing areas is such that this storage must be considered marginal. Ground storage is still largely in the experimental stage and has yet to prove its suitability for permanent storage purposes. Because of lack of information, the estimate does not include commercial capacity being built outside the guaranteed occupancy program. Also, capacity under the guaranteed occupancy program on which construction has not been started is not included.

It is likely that storage space will be adequate to handle the wheat harvest. If all of the available space is utilized, it also should be sufficient to handle the feed crops harvested in the fall, unless crop yields are unusually large.

Table 3. Expected New Storage Capacity

	Millions of Bushels
Permanent	
Guaranteed occupancy program	123
CCC, bin storage	200
Farm bin storage	85
Commercial, outside guaranteed occupancy program	*
	408*
Emergency	
CCC, ground storage of old crop wheat	67
CCC, moth-ball fleet	40
	107
GRAND TOTAL	515*

*Although complete reports are not available, it is known that 22.6 million bushels of storage space is being built in the Tenth District outside of the guaranteed occupancy program.

CHANGES IN DEPOSIT OWNERSHIP

Annual Survey of Ownership Finds District Business Deposits Higher in 1954, Personal Deposits Reduced

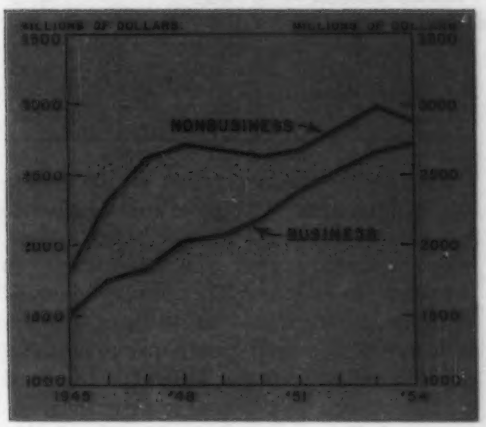
THE ANNUAL SURVEY of ownership of demand deposits of individuals, partnerships, and corporations in the Tenth Federal Reserve District reveals that most business ownership groups increased their demand balances to new levels in the year ended January 31, 1954, while individuals, as a group, reduced their demand deposits. Total volume of privately owned demand deposits at all District member banks declined 55 million dollars during 1953, a 1 per cent reduction from the all-time record level at the close of 1952. In the country as a whole, demand deposits of individuals and businesses increased 269 million dollars during 1953.

Liquidation of inventories, unsettled market conditions, and tax requirements probably were important factors influencing business firms to strengthen their cash positions in the past year. The need for accumulation of deposits to make tax payments was accentuated this year by the requirement that a higher proportion of total corporate income tax due must be paid on March 15 and June 15. Last year, 40 per cent of the total tax bill was due on each of these dates; this year, 45 per cent was due; and next year, 50 per cent will be due. Thus, this influence can be expected to stimulate accrual of deposits and other liquid assets for tax purposes somewhat more next year than this.

In contrast to the previous year, operating capital requirements of District business firms in 1953 were accommodated adequately by amounts derived from depreciation and depletion reserves, retention of profits, and market sales of securities. Thus, in addition to increasing their demand deposits, businesses were able to reduce their aggregate indebtedness at District member banks.

The ownership survey results, based on 420 responding banks, show that business-held demand deposits increased by an estimated 42 million dollars, or 2 per cent over the year ended January 1954. As shown in the accompanying charts, this rise was somewhat below the postwar trend of annual

Privately Held Demand Deposits In Tenth District



gains, which ranged from about 100 to 175 million dollars in earlier postwar years. The growth in 1953 was shared by all ownership categories except public utilities. Manufacturing and mining firms, with a gain of 25 million dollars, recorded the largest rise. Wholesale and retail trade concerns increased their deposit balances at District member banks by 16 million dollars, and financial firms increased their balances by 6 million dollars. Public utility enterprises, whose outlays for new plant and equipment utilized a large portion of deposits previously accumulated from security sales, recorded a net decline in balances of 9 million dollars.

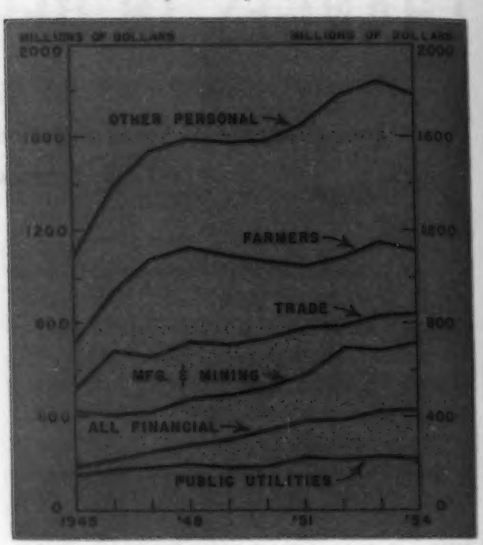
Changes In Ownership of District Demand Deposits

Millions of dollars

Type of Holder	Jan. 31, 1954, from Jan. 31, 1953	
	Amount	Per Cent
All holders	−32.6	−0.6
Businesses, total	+41.6	+1.7
Nonfinancial businesses	+36.1	+1.8
Manufacturing and mining	+24.7	+3.6
Public utilities	−9.4	−4.2
Trade	+16.4	+2.0
Other nonfinancial	+4.4	+1.4
Financial businesses	+5.5	+1.3
Individuals	−102.8	−3.5
Farmers	−38.4	−3.4
Other	−64.3	−3.5
Nonprofit associations	+3.0	+1.9
All other	+25.6	+63.1

The past year's contraction of 103 million dollars in demand deposits of individuals was the sharpest for any postwar period, but it was not the first year such a reduction has occurred. In 1948 and 1949, personal demand deposits also declined. In assessing the significance of this drop on the overall liquidity position of individuals, it should be noted that an important portion of total personal de-

Demand Deposits By Class of Owner



posits (including farmers' deposits) is in the form of time balances. The latter, in contrast to demand deposits, appear to have increased nearly 100 million dollars at District banks in 1953.

The drop in personal demand deposits during the 12 months ended January 31, 1954, was divided between farm and nonfarm owners. Farmer deposits declined 38 million dollars, or 3 per cent. This reduction corresponded with a decrease of about 10 per cent in the annual total of cash receipts from farm marketings in the Tenth District. Other recent years of declining cash farm receipts in this District—1948 and 1949—also were accompanied by reduced farmer demand deposits.

Estimates of deposits owned by individuals, partnerships, and corporations in the different size groupings of banks indicate that all banks did not share in the past year's decrease. Furthermore, the losses varied considerably

Changes In Demand Deposits of Individuals and Businesses*

Millions of dollars

Deposits	Jan. 1954	Change from Jan. 31, 1953 to Jan. 31, 1954		Change from Jan. 31, 1952 to Jan. 31, 1953	
		Amount	Per Cent	Amount	Per Cent
	By Size of Banks				
Under 1 million	555	−17	−3.0	+32	+5.9
1-10 million	2,762	−15	−0.6	+110	+4.1
10-50 million	1,958	+19	+1.0	+115	+6.3
Over 50 million	332	−20	−5.7	+12	+3.5
Total	5,607	−33	−0.6	+268	+5.0
	By Size of Deposit				
0-10,000	2,597	−104	−3.9	+118	+4.6
10-25,000	860	−5	−0.7	+80	+10.2
25,000 & over	2,149	+76	+3.7	+70	+3.5
Total	5,607	−33	−0.6	+268	+5.0

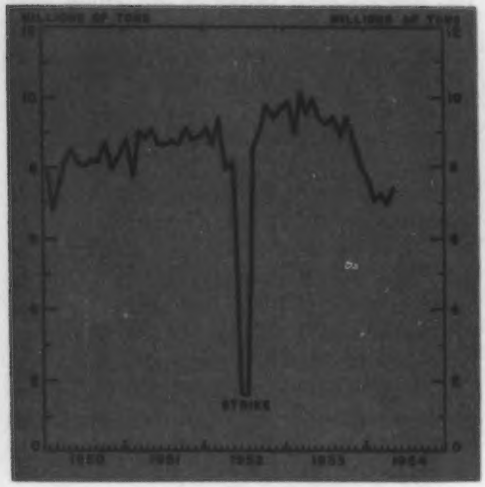
*Figures may not add to totals due to rounding.

among those groups which did experience decreases. Banks in the largest size category (deposits over 50 million dollars) recorded the largest relative decline—6 per cent. These banks, in contrast to all banks participating in the survey, experienced a net decrease in business-owned deposits, as well as in personal demand deposits. This decrease was concentrated in holdings of trade, public utility, and financial firms. Banks in the smallest size category (deposits under 1 million) experienced the next largest decline—3 per cent—but losses among banks in this group were principally in deposits of nonbusiness groups. Banks with deposits of 10 to 50 million dollars showed a gain over the year of 19 million dollars, or 1 per cent, as increased business deposits outweighed losses of personal deposits.

A breakdown of ownership data by size of deposits shows that virtually all of the contraction in the District occurred in balances of less than 10,000 dollars. This category of balances declined 104 million dollars, or 4 per cent, during 1953. Of that amount, 88 million represented reduction of nonbusiness balances. The remainder represented principally deposits of trading firms. Deposits in the 10,000 to 25,000 dollar range showed little change in the aggregate. Decreases in personal deposits were almost entirely offset by gains in business balances. The net reduction in this size class was 5 million dollars, or less than 1 per cent. Larger deposits, on the other hand—those of 25,000 dollars or more—increased about 4 per cent. Gains were registered in both personal and business deposits, although increases in the latter were more important both relatively and in dollar volume. Business deposits rose 55 million dollars, or 4 per cent, while personal deposits went up 5 million dollars, or 1 per cent.

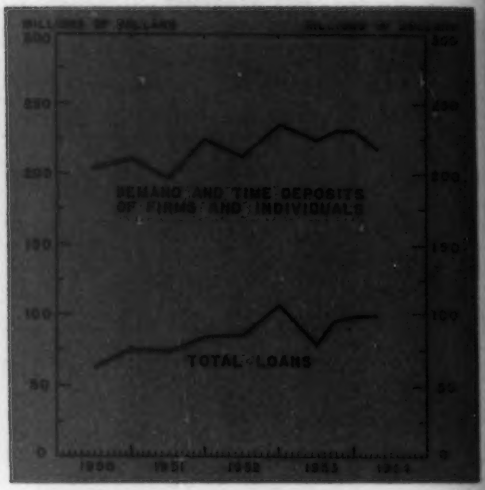
STEEL INGOT AND CASTINGS OUTPUT

United States



LOANS AND DEPOSITS, SMALL RURAL BANKS

Tenth District



BANKING IN THE TENTH DISTRICT

District and States	Loans				Deposits			
	Reserve City Member Banks		Country Member Banks		Reserve City Member Banks		Country Member Banks	
	May 1954 Percentage Change From							
	Apr. 1954	May 1953	Apr. 1954	May 1953	Apr. 1954	May 1953	Apr. 1954	May 1953
Tenth F. R. Dist.	+2	−1	−9	+12	+3	−1	+1	+11
Colorado	−1	+4	−10	+2	+1	+5	0	+6
Kansas	0	+4	−19	+2	+2	+2	+1	−1
Missouri*	+7	0	+1	+57	+6	−3	+2	+61
Nebraska	−2	−14	−9	+35	0	−20	0	+31
New Mexico*	**	**	+1	+5	**	**	−3	+2
Oklahoma*	+1	−1	−10	+5	+4	+10	+2	+7
Wyoming	**	**	−2	+6	**	**	+1	+5

*Tenth District portion only. **No reserve city banks in this state.

PRICE INDEXES, UNITED STATES

Index	May 1954	Apr. 1954	May 1953
Consumer Price Index (1947-49=100)	115.0	114.6	114.0
Wholesale Price Index (1947-49=100)	110.9	111.0r	109.8
Prices Rec'd by Farmers (1910-14=100)	258	257	263
Prices Paid by Farmers (1910-14=100)	284	283	280

r Revised.

TENTH DISTRICT BUSINESS INDICATORS

District and Principal Metropolitan Areas	Value of Check Payments		Value of Department Store Sales		*Value of Residential Bldg. Permits	
	Percentage change—1954 from 1953					
	May	Year to date	May	Year to date	May	Year to date
Tenth F. R. Dist.	+1r	+2	−4	−4	+33	+16
Denver	+2	+1	−1	−3	+58	+8
Wichita	−2	+1	−9	−9	+15	+19
Kansas City	−6	−2	−6†	−5†	+118‡	+4‡
Omaha	+1	+8	+8	+4	+28	+33
Okla. City	+2	+7	0	−2	+15	+65
Tulsa	+7r	+4r	−8	−4	+214	+30

*City only. †Kansas City, Mo., only. ‡Kansas City, Mo., and Kans. r Revised.